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VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

**Re: Duke Energy Carolinas, LLC Semi-Annual Report
on Transition to Direct Charging and Positive Time Reporting
Docket No. 2011-158-E**

Dear Mrs. Boyd:

In Order No. 2012-517 Approving Joint Dispatch Agreement ("JDA"), the Public Service Commission of South Carolina ("Commission") conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc.'s ("DEP") guarantee that DEP's and DEC's retail customers would receive pro rata benefits equivalent to those approved by the North Carolina Utilities Commission ("NCUC") in its Order ruling upon Duke Energy Corporation's ("Duke Energy") and Progress Energy, Inc.'s ("Progress Energy") Merger Application, including the protections of the revised Regulatory Conditions and Code of Conduct, to the extent allowable by South Carolina law. Id. at 41 ¶ 2. The Joint Final Consolidated Stipulation, Conditions, Code of Conduct approved by the NCUC states as follows:

Direct Charging of Costs. For purposes of distributing the costs of services provided between and among their affiliates, DEP shall continue to use direct charging, and all DEP employees shall continue to use positive time reporting. DEC shall increase the amount of such costs that are directly charged and will complete the transition to direct charging and positive time reporting within two years following the close of the Merger. DEC shall file semi-annual reports with the Commission detailing its progress in implementing these practices, with the first report due six months from the close of the Merger.

Joint Final Consolidated Stipulation, Conditions, and Code of Conduct, Docket Nos. E-2, Sub 998 and E-7, Sub 986 ¶ 8.

This letter serves as DEC's semi-annual report and reflects the completion of various tasks since the filing of the third semi-annual report on January 3, 2014. DEC hereby incorporates the January 3, 2014 semi-annual report by reference.

Duke Energy has defined and implemented the final phase of the time reporting process for all exempt employees to submit timesheets each pay period. The final phase included the completion and implementation of the Human Resources Merger Consolidation Project which transitioned the legacy Progress Energy employee population to the Duke Energy platform of systems. As with the previous phase implementations, the final phase also involved system modifications; defining and communicating the manager approval and administrative follow-up process for employees who fail to submit a timesheet; communications to employees; and management and training of timekeepers and exempt employees.

Prior to the completion of a common time reporting system for all employees, Duke Energy had identified high risk areas in the Service Company: those departments that have job functions that provide opportunities for more discrete time reporting. Additional training and education was provided to these groups to ensure that individuals understand how their time is being distributed to the various jurisdictions and companies within Duke Energy. In addition, these groups received reference documents that provide details on time reporting code block values, showing how the code block translates to the various companies being charged.

Duke Energy also updated and clarified procedures around its quarterly Sarbanes-Oxley controls to ensure that managers review the pre-populated timesheets of their employees and that they understand how the timesheets are being distributed to the various Duke Energy entities.

Although the transition to direct charging and positive time reporting is now complete, DEC intends to continue to review its implementation of the direct charging and positive time reporting requirements to identify and resolve any issues arising subsequent to the transition. DEC intends to file its next semi-annual report in January 2015 describing Duke Energy's compliance with these requirements subsequent to the transition.

Should you have any questions about this matter, please do not hesitate to contact Brian Franklin at 980.373.4465.

Sincerely,



Timika Shafeek-Horton
Deputy General Counsel

TSH/bml

cc: Nanette Edwards, ORS
Shannon B. Hudson, ORS
Jeffrey M. Nelson, ORS
Parties of Record